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July 10, 2006

Ms. Susan M. Hudson, Clerk
Vermont Public Service Board
Chittenden Bank Building, Fourth Floor
112 State Street, Drawer 20
Montpelier, Vermont 05620

Re: Electricity Affordability Program Workshop

Dear Ms. Hudson:

By Memorandum dated June 12, 2006, the Vermont Public Service Board (the "Board") announced that it would convene a workshop to gather input leading to a work plan for collaborative input on the development of draft energy affordability program legislation. In order to make the initial workshop productive, the Board requested that interested participants provide responses to questions concerning the procedure for the collaborative process. This letter sets forth Central Vermont Public Service Corporation's ("Central Vermont" or the "Company") responses to the Board queries. This response is organized by specific Board question.

- Q1. What process should the Board use for an electricity affordability program collaborative to aid the Board in developing draft electricity affordability legislation?
- A1. Overall Central Vermont recommends that the Board organize and schedule collaborative workshops based on prepared agendas developed by subcommittees composed of volunteer representatives. Vermont is composed of small, resource limited entities so time must be used sparingly and managed by a skilled facilitator.

In preparing for this process, it should be remembered that the Board and many other parties invested a significant effort in Docket No. 5308, an investigation into low income energy affordability concerns, which lead to the issuance of findings of fact and policy conclusions regarding the design of such programs and their effects. While some of the details considered by the Board at that time may have

changed, much of that effort remains prescient and, as such, the collaborative process should include a workshop that focuses on a review of that extensive effort.

The Company further suggests that the subcommittees be tasked with preparing agendas and briefing materials based on the primary component attributes to be considered in the development of proposed legislation. From Central Vermont's perspective these would include:

- The review and assessment of successful affordability program designs being implemented in other jurisdictions including assessment of the scope and extent of the administrative burdens engendered through operation of such programs.
- The development of automatic screening and enrollment methods for eligible customers and how these methods can best utilize existing financial means-tests already administered by other Vermont agencies or programs.
- An assessment of how best to fund the operation and administration of any program to assure that the funding mechanism is supported by all customer classes in an equitable and reasonable manner.
- The development of appropriate mechanisms for the recovery of net-incremental costs incurred by electric utilities in the administration and delivery of any affordability program.
- The establishment of a process to integrate the results of the Affordability Study on statewide public and private programs that address poverty called for under Section 10b of Act No. 208 (the "Section 10b Report") into the determination of the level of bill payment assistance, if any, to be offered under an electricity affordability program. This effort should include a comparison to the overall public assistance already provided in Vermont with the assistance provided to low income families in other states or jurisdictions.
- A deliberative process to draft any required legislation proposals.

From observation and experience with related efforts both in Vermont and in New Hampshire, related to the Company's former subsidiary Connecticut Valley Electric Company, Central Vermont is aware of many program alternatives and practical considerations that should be taken into account in the establishment of

an electricity affordability program – particularly for a state that is as small as Vermont and served by more than 20 diverse distribution utilities. Central Vermont believes that there is a very real opportunity to learn from the Board's prior work and the similar experiences of other states as participants embark on the affordability collaborative.

- Q2. What individuals and groups should be invited to participate who are not on the initial distribution list for this memo?
- A2. The Board's list of individuals and groups to participate in the affordability collaborative is already very comprehensive. The one area of suggestion that we offer is that, since the legislation provides that the proposed program should be "funded by all customer classes in an equitable and reasonable manner," the Board may want to add to its invitation list associations and affinity groups (like AARP is to residential consumers) to represent customers from other major rate classes. For example, the Board should consider inviting organization such as the Farm Bureau to represent farm customers, the Vermont State Chamber to represent commercial and other general service customers, the Vermont Ski Areas Association to represent Ski area customers, the Vermont Grocers Association to represent small commercial customers, and Associated Industries of Vermont to represent large business.
- Q3. Is the assistance of paid consultant resources necessary to this process? If so, what recommendations do commentors have for the type and scope of assistance needed, as well as how any such assistance should be paid for?
- A3. Central Vermont believes that the use of profession facilitation services can greatly help to promote successful collaboration where there are parties of divergent interests and a time-bounded process schedule. As such, the Company recommends that the Board consider engaging a professional facilitator to assist in the development of the proposed affordability program and supporting legislation.

In addition, the Company notes that the Vermont Department of Public with the Department for Children and Families and the Department of Disabilities, Aging, and Independent Living Service are required to develop a comprehensive study of the statewide public and private programs that address poverty pursuant to Section 10b of Act No. 208. As a result, the Board should not need to engage individuals with the same skills as those needed to develop the Section 10b Report. Rather the process should be designed so that the Board and participants can benefit from the special skill sets devoted to the development of the Section 10b Report thus avoiding the need to duplicate these efforts through the parallel affordability collaborative process. This could be accomplished by inviting the individuals

preparing the Section 10b Report to participate as resources in the affordability collaborative and by utilizing the collaborative for peer review of the draft Section 10b Report.

To the extent that additional resources are still required for the effective completion of the affordability program requirements, Central Vermont does recommend that such experts be charged with the responsibility to provide information and advice on an objective basis. In this way, the collaborative will avoid problems that might arise should individual expert resources perceive their role as an advocate for one form of assistance program over all others.

- Q4. What should the time frame be for the collaborative process?
- A4. Central Vermont recommends that the time frame for the collaborative process be closely coordinated with the timing of the Section 10b Report such that the workshop participants are fully prepared to make use of the content of the Report when it is prepared. Since the proposed affordability legislation must be submitted in January 2007 and the Section 10b Report is due on or before January 15, 2007, the collaborative process should be designed to support the preparation of the Report, cover the aspects of program development which the scope of the Section 10b Report does not address and still permit adequate time for the deliberative drafting of proposed legislation. As such, the collaborative process must be poised to utilize the information from the Section 10b Report as soon as it becomes available so that it can turn out the proposed legislation in as little as 15 days (*i.e.*, by 1/31/2007 if the §10b Report is not completed until 1/15/2007).
- Q5. In what way should the development of the electricity affordability program relate to the affordability study required of the Department of Public Service by Section 10b of Act 208. If commentators believe affordability program design should be informed by the study required by Section 10b, what are the implications of that interdependency for the timing of the collaborative input process.
- A5. As discussed above, Central Vermont maintains that the output of the Section 10b Report should be a key input to the affordability collaborative. Most specifically, the Company believes that the determination of the appropriate level of assistance to be offered under any affordability program should be based upon the results and recommendation described in the Section 10b Report and that this key variable is both a critical input to the proposed draft legislation and to the long term success of any resulting program. By trying to develop a comprehensive solution based on the Section 10b Report, the Company hopes that the process can produce an affordability program that is viewed as fair relative to other such programs.

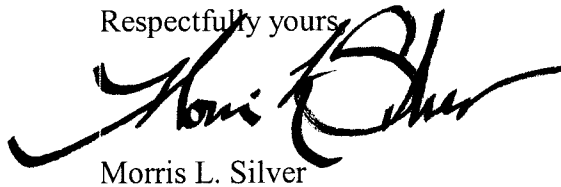
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For this reason, Central Vermont strongly suggests that the collaborative be established to dovetail and support the work required to perform the Section 10b study and that it plan to utilize the information derived from the Report to develop the proposal. We urge that this be a primary consideration in scheduling the workshops and the final collaboration to develop the proposed legislation.

- Q6. Does any potential participant object to the use of e-mail as the means of exchanging information within the collaborative process of developing the affordability program?
- A6. Central Vermont does not object to the use of e-mail as a means of exchanging information for the affordability collaborative and further suggest that participants consider utilizing a list-serve with data storage to help make information more broadly available to interested participants and the public in a transparent manner.
- Q7. What other issues should be considered in the initial workshop?
- A7. To the extent that the Board believes it is necessary to engage third-parties to assist in the effort of the collaborative, CVPS suggests that the initial workshop include time to discuss the development of a budget and associated work plan. This effort should help both the Board and participants to narrow the outside resources necessary to complete the goals and objectives for the process.

Central Vermont very much appreciates the opportunity to offer responses to the Board's questions and looks forward to working with participants and Board staff in the collaborative process. Should you have questions or wish to discuss the items described in this letter, please do not hesitate to contact me. In the meantime I remain,

Respectfully yours,

A handwritten signature in black ink, appearing to read "Morris L. Silver", with a stylized, flowing script.

Morris L. Silver

MLS/m
cc: Vermont Department of Public Service